

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INTERNAL CONTROLS AND COMPLIANCE

JUNE 30, 2009

 **CARNEY,
ALEXANDER,
MAROLD & CO., L.L.P.**
Certified Public Accountants

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2008 Election)		
Deon E. Senchina	President	2009
James R. Kenyon	Vice President	2008
Richard Vande Kieft	Board Member	2011
Joyce E. Coil	Board Member	2008
Duane L. Hamilton	Board Member	2008
Dan Battcher, resigned 4/14/08	Board Member	2009
Susan Lantz	Board Member	2009
Tom Reistter, appointed 4/28/08	Board Member	2008

Board of Education (After September, 2008 Election)

Deon E. Senchina	President	2009
James R. Kenyon	Vice President	2011
Richard Vande Kieft	Board Member	2011
Joyce E. Coil	Board Member	2011
Duane L. Hamilton	Board Member	2011
Susan Lantz	Board Member	2009
Tom Reistter	Board Member	2009

School Officials

Dr. David Stoakes	Superintendent	2009
Doug Nefzger	District Secretary	2009
John Steen	District Treasurer	2009
John C. Larsen	Attorney	Indefinite

Cedar Falls Community School District

Independent Auditors' Report

To the Board of Education of the
Cedar Falls Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District, Cedar Falls, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2010, on our consideration of Cedar Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included on pages 41 through 48, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

January 14, 2010

Carney, Alexander, Marold & Co., L.L.P.

**CEDAR FALLS COMMUNITY SCHOOL DISTRICT
CEDAR FALLS, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2009**

This section of the Cedar Falls Community School District's annual financial report presents the District's management discussion and analysis of the District's financial activities during the fiscal year ending June 30, 2009.

The intent of this discussion and analysis is to look at the Cedar Falls Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the 2008-09 fiscal year include the following:

In total, net assets increased by \$4,155,639 or 8.41% from fiscal 2007-08. Net assets in governmental activities increased \$4,003,202, which represented an 8.18% increase from fiscal year 2008. Increases in property tax receipts, State of Iowa categorical funding, Federal ARRA stimulus and other Federal grants made up the majority of the increase. Net assets in the business-type activity, which represents the Districts food service operations, increased \$152,437, which represented a 34.93% increase from fiscal year 2008. Increases in lunch prices, state and Federal reimbursement and reduced operational costs are the primary reasons for the increase.

General Fund revenues (which include the Instructional Support fund) accounted for \$38,929,980 in revenue or 81.74% of all revenues. General Fund expenses (which include the Instructional Support fund) accounted for \$38,423,626 in expenditures or 85.62% of all expenses.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Cedar Falls Community School District as a financial whole, or as an entire operating entity.

The statement of net assets and statement of activities provides information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. Fund financial statements report individual parts of District operations in more detail than District wide statements. For governmental funds these statements tell how educational and operational services were funded in the short term as well as what remains for future funding. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this report includes all the funds used by the District to provide programs and activities, the report strives to show how the District performed financially during the 2009 fiscal year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These statements report the District's net assets and changes in those net assets. This change in net assets is important because it identifies whether the financial picture of the District has improved or diminished for the District as whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include District property tax assessed valuation, facility needs, required educational programs, and other factors.

In the statement of net assets and statement of activities, the District is divided into three distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here, including instruction, co-curricular activities, support services (nursing, guidance, media, administration), custodial, building operations and maintenance, and pupil transportation.

Business-Type Activity – This service is provided on a charge for goods or services basis to recover all of the expenses for good or services provided. These types of activities are also known as Enterprise funds. The Nutrition Fund is reported as a business activity.

Fiduciary/Trust Activity – The District is the trustee or fiduciary for assets that belong to others. The District is responsible for ensuring that the assets in these funds are used for their intended purpose. These assets are excluded from the government-wide financial statements because the District can not use these assets to finance it operations. The Private Purpose Trust and Agency Funds are reported here.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major fund(s). The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal 2009 are the General and Capital Projects funds.

Governmental Funds

Most of the District's transactions are reported in governmental funds, which focus on how monies flow into and out of these funds and the balances left at fiscal year end for spending in the future. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The difference between governmental activities reported in the statement of net assets and the statement of activities is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

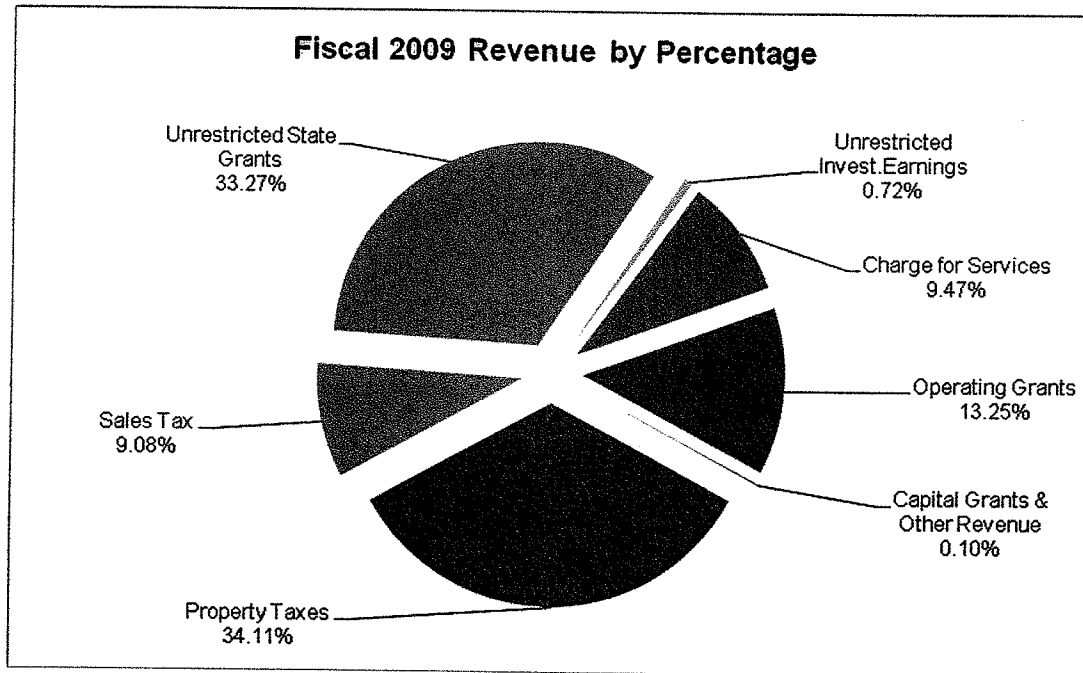
The following is a summary of the statement of net assets of the District as a whole. The Cedar Falls Community School District's net assets at the end of fiscal year 2009 totaled \$53,547,440, up 8.41% from the previous fiscal year.

Condensed Statement of Net Assets								
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2008	2009	2008	2009	2008	2009		
Current & Other Assets	\$ 32,991,633	48,684,788	\$ 371,302	511,940	\$ 33,362,935	49,197,178	47.46%	
Capital Assets	37,244,664	38,624,135	130,179	166,442	37,374,843	38,790,577	3.79%	
Total Assets	70,236,297	87,308,923	501,481	678,382	70,737,778	87,987,755	24.39%	
Long-term Obligations:								
Due within one year	121,893	127,641	-	-	121,893	127,641	4.72%	
Due after one year	-	10,285,000	-	-	-	10,285,000	100.00%	
Other Liabilities	21,159,061	23,937,737	65,023	89,487	21,224,084	24,027,224	13.21%	
Total Liabilities	21,280,954	34,350,378	65,023	89,487	21,345,977	34,439,865	61.34%	
Net Assets								
Invested in Capital Assets -								
Net of Related Debt	37,244,664	28,664,135	130,179	166,442	37,374,843	28,830,577	-22.86%	
Restricted	3,913,964	5,173,117	-	-	3,913,964	5,173,117	32.17%	
Unrestricted	7,796,715	19,121,293	306,279	422,453	8,102,994	19,543,746	141.19%	
Total Net Assets	\$ 48,955,343	52,958,545	\$ 436,458	588,895	\$ 49,391,801	53,547,440	8.41%	

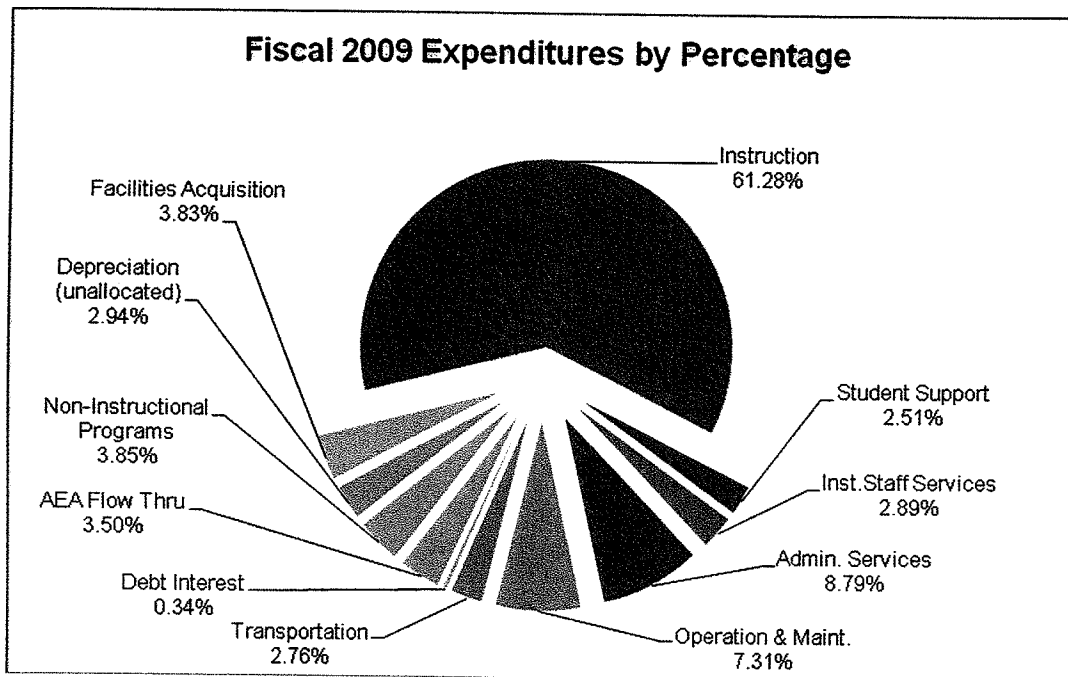
The following analysis shows the change in net assets for the year ending June 30, 2009:

	Change in Net Assets							
	Governmental		Business-type					
	Activities		Activities		Total			Percent
	2008	2009	2008	2009	2008	2009		Change
Revenue								
Program Revenue								
Charge for Services	\$ 3,575,247	3,342,208	\$ 1,291,698	1,366,648	\$ 4,866,945	4,708,856		-3.25%
Operating Grants	4,705,143	6,060,004	490,486	534,189	5,195,629	6,594,193		26.92%
Capital Grants	17,980	45,721	0	0	17,980	45,721		154.29%
General Revenue								
Property Taxes	14,950,746	16,967,541	---	---	14,950,746	16,967,541		13.49%
Sales and Income Tax	4,376,493	4,516,507	---	---	4,376,493	4,516,507		3.20%
Unrestricted State Grants	16,334,494	16,549,690	---	---	16,334,494	16,549,690		1.32%
Unrestricted Invest. Earnings	628,611	355,083	14,218	5,739	642,829	360,822		-43.87%
Gain/Loss Sale Cap. Assets	0	0	0	0	0	0		0.00%
Other Revenue	608	3,698	---	---	608	3,698		508.22%
Total Revenue	44,589,322	47,840,452	1,796,402	1,906,576	46,385,724	49,747,028		7.25%
Program Expense								
Instruction	25,494,646	27,936,541	---	---	25,494,646	27,936,541		9.58%
Student Support	1,091,086	1,146,552	---	---	1,091,086	1,146,552		5.08%
Instructional Staff Services	1,224,734	1,319,383	---	---	1,224,734	1,319,383		7.73%
Administration Services	3,810,701	4,009,777	---	---	3,810,701	4,009,777		5.22%
Operation & Maint. Services	3,349,122	3,335,232	---	---	3,349,122	3,335,232		-0.41%
Transportation Services	1,050,541	1,256,484	---	---	1,050,541	1,256,484		19.60%
Long Term Debt Interest	148,011	153,227	---	---	148,011	153,227		3.52%
Facilities Acquisition	138,915	1,745,604	---	---	138,915	1,745,604		1156.60%
AEA Flow Thru	1,477,405	1,595,539	---	---	1,477,405	1,595,539		8.00%
Non-Instructional Programs	0	0	1,777,604	1,754,139	1,777,604	1,754,139		-1.32%
Depreciation (unallocated)	1,285,529	1,338,911	---	---	1,285,529	1,338,911		4.15%
Total Expenses	39,070,690	43,837,250	1,777,604	1,754,139	40,848,294	45,591,389		11.61%
Increase (decrease) net assets	5,518,632	4,003,202	18,798	152,437	5,537,430	4,155,639		24.95%
Net Assets Beginning of Year	43,436,711	48,955,343	417,660	436,458	43,854,371	49,391,801		12.63%
Net Assets End of Year	\$ 48,955,343	52,958,545	\$ 436,458	588,895	\$ 49,391,801	53,547,440		8.41%

The following chart indicates total fiscal 2009 District revenue by percentage:



The following chart indicates total fiscal 2009 District expenses by percentage:



Financial Analysis of the District's Funds

The Cedar Falls Community School District uses fund accounting on the modified accrual basis to ensure and demonstrate compliance with finance-related legal requirements.

The District governmental funds reported combined fund balances of \$24,514,291, a \$12,698,733 increase from the 2008 fiscal year end balance of \$11,815,558. The sale of \$10,000,000 in Bond Anticipation Notes in the Capital Projects fund for the start of the Holmes and Peet junior high school projects, increased fund balances in the General and Non-major Governmental funds all contributed to the increase in fund balance for the year.

The District's General Fund (including the Instructional Support Fund) end of year fund balance increased \$506,354 to \$4,612,766 from the 2008 fiscal year end balance of \$4,106,412. The increase in fund balance is due to increases in property tax receipts, State of Iowa categorical funding, Federal ARRA stimulus funding and other Federal grants.

Budgeting Highlights

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute requires approval of the budget on or before April 15th of each year. The budget document presents functional disbursements by fund and the legal level of control is at the expense level by total Instruction, total Support Services, total Non-Instructional Programs, total Other Expenditures and Total Expenditures. The District amends the budget, as allowed by Iowa law, to reflect the additional revenues and expenditures that may occur during the school year. The District did not need to amend its budget for 2009.

The following chart shows the original and amended budget for fiscal 2009 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule				
	Original Budget	Final Amended	Actual	Variance
Revenue				
Local Sources	\$ 26,094,433	\$ 26,094,433	\$ 26,519,453	\$ 425,020
Intermediate Sources	0	0	0	0
State Sources	21,072,530	21,072,530	20,950,486	-122,044
Federal Sources	1,423,500	1,423,500	2,013,537	590,037
Total Budget Revenue	\$ 48,590,463	\$ 48,590,463	\$ 49,483,476	\$ 893,013
Expenditures				
Instruction	\$ 29,226,254	\$ 29,226,254	\$ 27,535,016	\$ -1,691,238
Support Services	12,584,901	12,584,901	11,161,538	-1,423,363
Non-Instructional	4,682,588	4,682,588	1,754,139	-2,928,449
Other Expenditures	8,305,690	8,305,690	6,144,889	-2,160,801
Total Budget Expenses	\$ 54,799,433	\$ 54,799,433	\$ 46,595,582	\$ -8,203,851

Capital Assets and Debt Administration

Capital Assets

At the end of the 2009 fiscal year, the District had invested \$38,790,577 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology (including computer equipment), media/audio visual equipment, and classroom equipment. The District had depreciation expense of \$1,861,492 for fiscal 2009 and total accumulated depreciation of \$24,611,875 as of June 30, 2009. The following chart shows the comparison in capital assets for 2007 and 2008.

	Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2008	2009	2008	2009	2008	2009	
Land	\$ 1,264,860	1,264,860	\$ 0	0	\$ 1,264,860	1,264,860	0.00%
Construction in Progress	352,631	2,727,443	0	0	352,631	2,727,443	673.46%
Land Improvements	2,646,015	2,742,749	0	0	2,646,015	2,742,749	3.66%
Buildings	47,935,694	48,122,227	0	0	47,935,694	48,122,227	0.39%
Furniture & Equipment	7,611,560	7,604,623	879,452	940,550	8,491,012	8,545,173	0.64%
Total	\$ 59,810,760	62,461,902	\$ 879,452	940,550	\$ 60,690,212	63,402,452	4.47%

More detailed information about capital assets is available in the Notes to Financial Statements, item 4.

Debt

As of June 30, 2009 the District had \$10,412,641 in long-term debt outstanding, \$127,641 of which is due in fiscal 2010, compared to \$121,893 on June 30, 2008. The sale of \$10,000,000 in bond anticipation notes and the reporting of new Governmental Accounting Standards Board (GASB) requirements for other post employment benefits (OPEB) account for the increase. The following chart shows the debt comparison between 2008 and 2009.

	Long-term Debt Obligations			
	Balance		Balance	
	July 1, 2008	Additions	Reductions	June 30, 2009
Bonds/Capital Loan Notes				
Sales Tax Revenue	-	10,000,000	0	10,000,000
Discount	-	-50,000	10,000	-40,000
Total Bonds/Capital Loan Notes	\$ 0	\$ 9,950,000	\$ 10,000	\$ 9,960,000
Other Liabilities				
Compensated Absences	121,893	127,641	121,893	127,641
Net OPEB Liability	-	325,000	0	325,000
Total Other Liabilities	\$ 121,893	\$ 452,641	0	452,641
Total Long-term Debt	\$ 121,893	\$ 10,402,641	\$ 131,893	\$ 10,412,641

More detailed information about the District's long-term debt can be found in the Notes to Financial Statements, item 5.

Current Issues

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- Revenue received by the State of Iowa for regular program costs for fiscal year 2009 was \$287,856 less than original budgeted projections. Due to the continued downturn in the economy, entering the 2009-10 school year state regular program appropriations were reduced \$274,081 from original certified budget projections.
- Enrollment for 2009/10 school year increased by 89.2 students from 2008-09. The number of open enrollment students from neighboring district's increased by 35.0 and the number of open enrollment students attending neighboring district's decreased by 2.3 students. The increase in enrollment is contributed to more families moving into the Cedar Falls school district. Overall District enrollment has increased an average of 37 students per year for the last five years. The District expects open enrollment and resident enrollment to increase at a similar rate over the next five years.
- The Iowa Legislature has approved a 4% allowable growth increase in state aid to school districts for fiscal 2010 and a 2% allowable growth increase for fiscal 2011. These increases, if implemented, will enhance the ability of the District to meet the needs of students and staff. The administration and staff of the District need to implement a plan to set aside a portion of this allowable growth increase each year to improve the reserve or unspent balance of the District at the end of the school year. This increase in the reserve or unspent balance will improve the overall financial position of the District and help transition through any unanticipated decreases in revenue or increased in expenditures
- Due to continued economic issues, the District will receive the following American Recovery and Reinvestment Act (ARRA) stimulus funding over the next two years:
 - Replacement of Iowa state aid funding \$1,829,710
 - Replacement of Iowa professional development funding \$ 17,738
 - Replacement of Iowa Instructional Support state aid funding \$ 110,693
 - Additional Title I reading/mathematics funding \$ 268,641
 - Additional Part B special education funding \$ 618,800
- The District has experienced a cumulative increase in taxable assessed valuation of 23.55% in the last four years, including a 5.32% increase in 2009. Strong demand for homes and continued growth in new home construction, new industrial construction, the addition of Target, Inc. retail store, the construction of Peregrine Financial Group new corporate headquarters and the Pinnacle Prairie planned retail center will increase the District's assessed valuation growth for the foreseeable future.

- Revenue received from the one-cent local option sales tax increased by \$123,423 to \$4,484,016 for 2009. In 2008, the Iowa Legislature repealed the local option sales tax for schools and replaced it with a state wide one-cent sales tax. As individual school local option sales tax levies expire (Black Hawk County schools original levy expired June 30, 2009), District will automatically be enrolled in the state wide one-cent sales tax for schools. Beginning with the 2009-10 school year Cedar Falls and the other schools in Black Hawk County will be included in the state wide one-cent tax. Revenue is determined by dividing the total number of students in those counties included in the state wide sales tax divided by the total public student population. As more Iowa school district current levies expire, they will be enrolled in the state-wide sales tax pool. Revenue for the 2009-10 school year is projected to decrease to \$3,935,547 as Cedar Falls enters the state wide pool.
- In addition to entering the state wide one-cent sales tax pool, legislation mandates that a revenue purpose statement be approved by the voters of a district if a district wishes to use 100% of the funds received from the state wide sales tax on school infrastructure needs. In 2006, Black Hawk County voters extended the current local option sales tax until 2019. Cedar Falls will need to have voters approve a revenue purpose statement before 2019 in order for the District to use 100% of these funds for its infrastructure needs.
- The current Instructional Support levy for the District expired June 30, 2012. This levy historically has been approved by the voters of the District every ten years. For the 2009-10 school year, the Instructional Support levy will generate \$1,975,140 in local property tax dollars plus an additional \$110,693 in ARRA stimulus funding for a total of \$2,085,833. These funds are used to support additional teachers and counselors, technology and technical support staff as well as individual building funds for supplies and equipment.
- On December 15, 2008 the Board of Education approved the sale of \$10.0 million dollars in Bond Anticipation Notes to be used in conjunction with the Holmes Junior High School addition and remodeling project to Ruan Securities of Des Moines, Iowa at an interest rate of 2.65%. Maturity date on the bonds is June 1, 2011.
- On December 18, 2008 Governor Culver announced a 1.5%, or \$325,756 cut in foundation aid and categorical funding for all Iowa school districts for the remainder of the 2008-09 school year.
- On December 23, 2008 the Board of Education approved the bid from Cardinal Construction, Waterloo, Iowa for \$10,059,410 to remodel and construct additions to Holmes Junior High School.
- On June 22, 2009 the Board of Education approved the bid from Cardinal Construction, Waterloo, Iowa for \$10,180,000 to remodel and construct additions to Peet Junior High School.
- On October 8, 2009 Governor Culver announced a 10% across the board reduction in state foundation aid and categorical funding for all Iowa school districts for the remainder of the 2009-10 school year. The reduction for the Cedar Falls Community School District is \$2,052,213.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. If you have any questions about this report, or need additional financial information, please contact Mr. Doug Nefzger, Director of Business Affairs/Board Secretary, Cedar Falls Community School District, 1002 West First St., Cedar Falls, Iowa 50613.

It is the policy of the Cedar Falls Community School District to not discriminate in its educational activities on the basis of race, color, creed, religion, sex, sexual orientation, gender identity, national origin, ethnic background, age, or disability.

Basic Financial Statements

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Other	\$29,276,021	\$ 437,912	\$29,713,933
Receivables:			
Property tax:			
Delinquent	146,625	-	146,625
Succeeding year	17,807,718	-	17,807,718
Accounts	334,981	21,628	356,609
Accrued interest:			
Other	30,839	206	31,045
Due from other governments	1,064,695	-	1,064,695
Inventories	23,909	52,194	76,103
Capital assets, net of accumulated depreciation	38,624,135	166,442	38,790,577
Total assets	<u>87,308,923</u>	<u>678,382</u>	<u>87,987,305</u>
Liabilities			
Accounts payable	2,219,354	58,879	2,278,233
Salaries and benefits payable	3,900,138	30,608	3,930,746
Accrued interest payable	10,527	-	10,527
Deferred revenue, succeeding year property tax	17,807,718	-	17,807,718
Long-term liabilities:			
Portion due within one year:			
Compensated absences	127,641	-	127,641
Portion due after one year:			
Revenue bond anticipation notes	9,960,000		9,960,000
Net OPEB liability	325,000	-	325,000
Total liabilities	<u>34,350,378</u>	<u>89,487</u>	<u>34,439,865</u>
Net assets			
Invested in capital assets, net of related debt	28,664,135	166,442	28,830,577
Restricted for:			
Management levy	579,142	-	579,142
Physical plant and equipment levy	2,554,552	-	2,554,552
Other special revenue purposes	482,951	-	482,951
Permanent fund	1,556,472	-	1,556,472
Unrestricted	<u>19,121,293</u>	<u>422,453</u>	<u>19,543,746</u>
Total net assets	<u>\$52,958,545</u>	<u>\$ 588,895</u>	<u>\$53,547,440</u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Instruction:				
Regular instruction	\$ 18,146,746	\$ 1,319,742	\$ 4,005,568	\$ -
Special instruction	5,671,359	904,852	266,801	-
Other instruction	4,118,436	867,138	119,887	-
	<u>27,936,541</u>	<u>3,091,732</u>	<u>4,392,256</u>	<u>-</u>
Support services:				
Student services	1,146,552	-	-	-
Instructional staff services	1,319,383	-	-	-
Administration services	4,009,777	87,505	-	-
Operation and maintenance of plant services	3,335,232	143,657	-	-
Transportation services	1,256,484	19,314	72,209	-
	<u>11,067,428</u>	<u>250,476</u>	<u>72,209</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	1,745,604	-	-	45,721
Long-term debt interest	153,227	-	-	-
AEA flowthrough	1,595,539	-	1,595,539	-
Depreciation (unallocated)	1,338,911	-	-	-
	<u>4,833,281</u>	<u>-</u>	<u>1,595,539</u>	<u>45,721</u>
Total governmental activities	<u>43,837,250</u>	<u>3,342,208</u>	<u>6,060,004</u>	<u>45,721</u>
Business Type Activities				
Non-instructional programs:				
School nutrition services	1,754,139	1,366,648	534,189	-
Total	<u>\$ 45,591,389</u>	<u>\$ 4,708,856</u>	<u>\$ 6,594,193</u>	<u>\$ 45,721</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local option taxes, levied for capital outlay				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$(12,821,436)	\$ -	\$(12,821,436)
(4,499,706)	-	(4,499,706)
(3,131,411)	-	(3,131,411)
<u>(20,452,553)</u>	<u>-</u>	<u>(20,452,553)</u>
(1,146,552)	-	(1,146,552)
(1,319,383)	-	(1,319,383)
(3,922,272)	-	(3,922,272)
(3,191,575)	-	(3,191,575)
(1,164,961)	-	(1,164,961)
<u>(10,744,743)</u>	<u>-</u>	<u>(10,744,743)</u>
(1,699,883)	-	(1,699,883)
(153,227)	-	(153,227)
-	-	-
(1,338,911)	-	(1,338,911)
<u>(3,192,021)</u>	<u>-</u>	<u>(3,192,021)</u>
<u>(34,389,317)</u>	<u>-</u>	<u>(34,389,317)</u>
-	146,698	146,698
<u>(34,389,317)</u>	<u>146,698</u>	<u>(34,242,619)</u>
16,967,541	-	16,967,541
4,516,507	-	4,516,507
16,549,690	-	16,549,690
355,083	5,739	360,822
3,698	-	3,698
<u>38,392,519</u>	<u>5,739</u>	<u>38,398,258</u>
4,003,202	152,437	4,155,639
<u>48,955,343</u>	<u>436,458</u>	<u>49,391,801</u>
<u>\$ 52,958,545</u>	<u>\$ 588,895</u>	<u>\$ 53,547,440</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet Governmental Funds

June 30, 2009

Assets	General	Debt Service
Cash and pooled investments:		
Other	\$ 8,440,429	\$ -
Receivables:		
Property tax:		
Delinquent	121,302	-
Succeeding year	14,733,912	-
Accounts	334,981	-
Accrued interest - other	4,577	-
Due from other governments	368,896	-
Inventories	23,909	-
	<hr/>	<hr/>
Total assets	<u>\$ 24,028,006</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 586,852	\$ -
Salaries and benefits payable	3,900,138	-
Deferred revenue:		
Succeeding year property tax	14,733,912	-
Other	194,338	-
Total liabilities	<u>19,415,240</u>	<u>-</u>
Fund balances:		
Reserved for:		
Inventories	23,909	-
State grants	352,926	-
Unreserved:		
Undesignated	4,235,931	-
Reported in nonmajor Governmental funds	-	-
Total fund balances	<u>4,612,766</u>	<u>-</u>
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 24,028,006</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 15,407,933	\$ 5,398,357	\$ 29,246,719
-	25,323	146,625
-	3,073,806	17,807,718
-	-	334,981
20,096	6,166	30,839
695,799	-	1,064,695
-	-	23,909
<u>\$ 16,123,828</u>	<u>\$ 8,503,652</u>	<u>\$ 48,655,486</u>
\$ 1,395,420	\$ 237,082	\$ 2,219,354
-	-	3,900,138
-	3,073,806	17,807,718
-	19,647	213,985
<u>1,395,420</u>	<u>3,330,535</u>	<u>24,141,195</u>
-	-	23,909
-	-	352,926
14,728,408	-	18,964,339
-	5,173,117	5,173,117
<u>14,728,408</u>	<u>5,173,117</u>	<u>24,514,291</u>
<u>\$ 16,123,828</u>	<u>\$ 8,503,652</u>	<u>\$ 48,655,486</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds	\$24,514,291
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	38,624,135
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	213,985
An internal service fund is used by the District's management to charge the costs of insurance to the individual fund. The assets and liabilities of the internal service fund are included with governmental activities.	29,302
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(10,527)
Long-term liabilities, including notes payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(10,412,641)</u>
Net assets of governmental activities	<u><u>\$52,958,545</u></u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

Year ended June 30, 2009

	General	Debt Service
Revenues:		
Local sources:		
Local tax	\$ 14,063,984	\$ -
Tuition	1,963,269	-
Other	500,689	-
State sources	20,932,667	-
Federal sources	1,469,371	-
Total revenues	<u>38,929,980</u>	<u>-</u>
Expenditures:		
Current:		
Instruction:		
Regular instruction	17,514,846	-
Special instruction	5,673,623	-
Other instruction	3,209,971	-
	<u>26,398,440</u>	<u>-</u>
Support services:		
Student services	1,144,030	-
Instructional staff services	1,300,243	-
Administration services	3,940,075	-
Operation and maintenance of plant services	3,032,512	-
Transportation services	1,012,787	-
	<u>10,429,647</u>	<u>-</u>
Other expenditures:		
Facilities acquisition and construction	-	-
Long-term debt:		
Interest and other charges	-	132,700
AEA flowthrough	1,595,539	-
	<u>1,595,539</u>	<u>132,700</u>
Total expenditures	<u>38,423,626</u>	<u>132,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>506,354</u>	<u>(132,700)</u>
Other financing sources (uses):		
Revenue bonds issued	-	-
Operating transfers in	-	132,700
Operating transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>132,700</u>
Net change in fund balances	506,354	-
Fund balances beginning of year	<u>4,106,412</u>	<u>-</u>
Fund balances end of year	<u>\$ 4,612,766</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,516,507	\$ 2,903,557	\$ 21,484,048
-	-	1,963,269
204,547	1,044,080	1,749,316
-	1,722	20,934,389
-	26,074	1,495,445
<u>4,721,054</u>	<u>3,975,433</u>	<u>47,626,467</u>
-	265,587	17,780,433
-	-	5,673,623
-	907,280	4,117,251
<u>-</u>	<u>1,172,867</u>	<u>27,571,307</u>
-	-	1,144,030
-	-	1,300,243
-	53,095	3,993,170
-	328,023	3,360,535
-	350,773	1,363,560
<u>-</u>	<u>731,891</u>	<u>11,161,538</u>
3,605,128	811,522	4,416,650
-	-	132,700
-	-	1,595,539
<u>3,605,128</u>	<u>811,522</u>	<u>6,144,889</u>
<u>3,605,128</u>	<u>2,716,280</u>	<u>44,877,734</u>
<u>1,115,926</u>	<u>1,259,153</u>	<u>2,748,733</u>
9,950,000	-	9,950,000
-	32,810	165,510
(132,700)	(32,810)	(165,510)
<u>9,817,300</u>	<u>-</u>	<u>9,950,000</u>
10,933,226	1,259,153	12,698,733
<u>3,795,182</u>	<u>3,913,964</u>	<u>11,815,558</u>
<u>\$ 14,728,408</u>	<u>\$ 5,173,117</u>	<u>\$ 24,514,291</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds	\$ 12,698,733
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation in the current year, as follows:

Expenditures for capital assets	\$ 3,213,718	
Depreciation expense	<u>(1,834,247)</u>	1,379,471

Certain revenues received are not available to pay current period expenditures and, therefore, are deferred in the government funds.	213,985
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Proceeds from issuing long-term liabilities provides current financing resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Proceeds	\$(10,000,000)	
Discount	<u>50,000</u>	(9,950,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(10,527)
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Accretion of discount on long-term liabilities increases long-term liabilities on the Statement of Net Assets, and is included with interest on long-term debt on the Statement of Activities.	(10,000)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(5,748)	
Other postemployment benefits	<u>(325,000)</u>	(330,748)

An internal service fund is used by the District's management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is included with the governmental activities.

12,288

Change in net assets of governmental activities	<u><u>\$ 4,003,202</u></u>
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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets Proprietary Funds

June 30, 2009

	Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 437,912	\$ 29,302
Accounts receivable	21,628	-
Accrued interest receivable	206	-
Due from other governments	-	-
Inventories	52,194	-
Capital assets, net of accumulated depreciation	<u>166,442</u>	<u>-</u>
Total assets	<u>678,382</u>	<u>29,302</u>
Liabilities		
Accounts payable	58,879	-
Salaries and benefits payable	<u>30,608</u>	<u>-</u>
Total liabilities	<u>89,487</u>	<u>-</u>
Net assets		
Invested in capital assets, net of related debt	166,442	-
Unrestricted	<u>422,453</u>	<u>29,302</u>
Total net assets	<u><u>\$ 588,895</u></u>	<u><u>\$ 29,302</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

Year ended June 30, 2009

	Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 1,331,570	\$ -
Other	35,078	151,337
Total operating revenues	<u>1,366,648</u>	<u>151,337</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	559,573	-
Benefits	153,901	139,049
Purchased services	57,820	-
Supplies	955,600	-
Depreciation	27,245	-
Total operating expenses	<u>1,754,139</u>	<u>139,049</u>
Operating income (loss)	<u>(387,491)</u>	<u>12,288</u>
Non-operating revenues:		
State sources	16,097	-
Federal sources	518,092	-
Interest on investments	5,739	-
Total non-operating revenues	<u>539,928</u>	<u>-</u>
Change in net assets	152,437	12,288
Net assets beginning of year	<u>436,458</u>	<u>17,014</u>
Net assets end of year	<u><u>\$ 588,895</u></u>	<u><u>\$ 29,302</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows Proprietary Funds

Year ended June 30, 2009

	Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,345,493	\$ -
Cash received from assessments made to other funds	-	151,337
Cash payments to employees for services	(712,370)	
Cash payments to suppliers for goods or services	(877,491)	(139,049)
Net cash provided by (used by) operating activities	<u>(244,368)</u>	<u>12,288</u>
Cash flows from non-capital financing activities:		
State grants received	15,670	-
Federal grants received	464,261	-
Net cash provided by non-capital financing activities	<u>479,931</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(63,508)	-
Net cash used by capital and related financing activities	<u>(63,508)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>6,226</u>	<u>-</u>
Net increase in cash and cash equivalents	178,281	12,288
Cash and cash equivalents at beginning of year	<u>259,631</u>	<u>17,014</u>
Cash and cash equivalents at end of year	<u>\$ 437,912</u>	<u>\$ 29,302</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$ (387,491)	\$ 12,288
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	104,308	-
Depreciation	27,245	-
Increase in receivables	(21,155)	-
Decrease in inventories	8,261	-
Increase in accounts payable	23,360	-
Increase in salaries and benefits payable	1,104	-
Net cash provided by (used by) operating activities	<u>\$ (244,368)</u>	<u>\$ 12,288</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$105,974 of federal commodities.

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2009

	Private Purpose Trust - Scholarships	Agency Funds
Assets		
Cash and pooled investments	\$ 55,403	\$ 8,063
Accrued interest receivable	1,008	-
Due from others	<u>-</u>	<u>19,594</u>
Total assets	<u><u>\$ 56,411</u></u>	<u><u>\$ 27,657</u></u>
 Liabilities		
Accounts payable	\$ -	\$ 10,767
Due to others	<u>-</u>	<u>16,890</u>
Total liabilities	<u>-</u>	<u><u>\$ 27,657</u></u>
 Net assets		
Reserved for scholarships	<u><u>\$ 56,411</u></u>	

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust - Scholarships
Additions:	
Local sources:	
Interest income	<u>\$ 11,683</u>
Deductions:	
Support services:	
Scholarships awarded	<u>8,596</u>
Change in net assets	3,087
Net assets beginning of year	<u>53,324</u>
Net assets end of year	<u><u>\$ 56,411</u></u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The Cedar Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreation courses. The geographic area served includes the City of Cedar Falls, Iowa and the predominate agricultural territory in Black Hawk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Cedar Falls Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Black Hawk County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - (continued)

B. Basis of Presentation - (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for the governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise Fund - School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports the following funds:

The Internal Service Fund is used to account for services provided by one department to other departments of the District on a cost reimbursement basis.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - (continued)

B. Basis of Presentation - (continued)

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - (continued)

C. Measurement Focus and Basis of Accounting - (continued)

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - (continued)

D. Assets, Liabilities and Fund Equity - (continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$	500
Buildings and improvements		500
Improvements other than buildings		500
Furniture and equipment:		
School Nutrition Fund equipment		500
Other furniture and equipment		500
Vehicles		500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings and improvements	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 years

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - (continued)

D. Assets, Liabilities and Fund Equity - (continued)

Salaries and Benefits Payable - Payroll and expenditures for teachers, administrators and others with annual contracts corresponding to the current school year which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities - In the government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses, as appropriate during the reporting period. Actual results could differ from those estimates.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2009, were entirely covered by Federal depository insurance or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. However, the Board policy is to only invest in obligations of the United States government, its agencies and public funds instrumentalities and certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 1,390,633</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(3) Iowa School Cash Anticipation Program (ISCAP)

The District is eligible, but did not participate in the Iowa Schools Cash Anticipation Program (ISCAP) during the year ended June 30, 2009. ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co., N.A., is the trustee for the program.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,264,860	\$ -	\$ -	\$ 1,264,860
Construction in progress	352,631	2,727,443	352,631	2,727,443
Total capital assets not being depreciated	1,617,491	2,727,443	352,631	3,992,303
Capital assets being depreciated:				
Buildings and improvements	47,935,694	186,533	-	48,122,227
Improvements other than buildings	2,646,015	96,734	-	2,742,749
Furniture and equipment	5,490,453	314,170	465,052	5,339,571
Vehicles	2,121,107	241,469	97,524	2,265,052
Total capital assets being depreciated	58,193,269	838,906	562,576	58,469,599
Less accumulated depreciation for:				
Buildings and improvements	15,130,163	1,175,069	-	16,305,232
Improvements other than buildings	1,555,103	115,570	-	1,670,673
Furniture and equipment	4,118,005	401,279	465,052	4,054,232
Vehicles	1,762,825	142,329	97,524	1,807,630
Total accumulated depreciation	22,566,096	1,834,247	562,576	23,837,767
Total capital assets being depreciated, net	35,627,173	(995,341)	-	34,631,832
Governmental activities capital assets, net	\$ 37,244,664	\$ 1,732,102	\$ 352,631	\$ 38,624,135

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(4) Capital Assets - (continued)

Capital assets activity for the year ended June 30, 2009 is as follows - (continued):

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture, equipment, vehicles	\$ 879,452	\$ 63,508	\$ 2,410	\$ 940,550
Less accumulated depreciation	<u>749,273</u>	<u>27,245</u>	<u>2,410</u>	<u>774,108</u>
Business type activities capital assets, net	<u>\$ 130,179</u>	<u>\$ 36,263</u>	<u>\$ -</u>	<u>\$ 166,442</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 261,835
Special	9,670
Other	46,017

Support services:

Support staff	2,522
Instructional staff	28,457
Administration	15,188
Operation and maintenance of plant	49,484
Transportation	82,163

495,336

Unallocated depreciation

1,338,911

Total depreciation expense - governmental activities

\$ 1,834,247

Business type activities:

School nutrition	<u>\$ 27,245</u>
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Notes payable	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
Discount	<u>-</u>	<u>(50,000)</u>	<u>10,000</u>	<u>(40,000)</u>	<u>-</u>
	-	9,950,000	10,000	9,960,000	-
Compensated absences	121,893	127,641	121,893	127,641	127,641
Net OPEB liab.	<u>-</u>	<u>325,000</u>	<u>-</u>	<u>325,000</u>	<u>-</u>
Total	<u>\$ 121,893</u>	<u>\$ 10,402,641</u>	<u>\$ 131,893</u>	<u>\$ 10,412,641</u>	<u>\$ 127,641</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(5) Long-Term Liabilities - (continued)

Revenue bond anticipation notes:

Details of the district's June 30, 2009 School infrastructure sales, services and use tax bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued December 1, 2008			
	Interest Rate	Principal	Interest	Total
2010	2.65%	\$ -	\$ 265,000	\$ 265,000
2011	2.65%	10,000,000	265,000	10,265,000
		<u>\$ 10,000,000</u>	<u>\$ 530,000</u>	<u>\$ 10,530,000</u>

The District has pledged future school infrastructure sales, services and use tax revenues to repay the \$10,000,000 of notes issued December 1, 2008. The notes were issued for the purpose of financing a portion of the costs associated with site acquisition, construction, reconstruction, remodeling, and refurbishing certain of the district's facilities and to pay the cost of issuance of the notes. The notes are not a general obligation of the district, however, the debt is subject to the constitutional debt limitation of the District.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and education services provided through the area education agency. The District's actual amount for this purpose totaled \$1,595,539 for the year ended June 30, 2009, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$1,560,777, \$1,396,002, and \$1,286,081, respectively, equal to required contributions for each year.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(8) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 470 active and 51 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through two fully-insured plans with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the district, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changed in the District's net OPEB obligation:

Annual required contribution	\$ 325,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>325,000</u>
Contributions made	-
Increase in net OPEB obligation	<u>325,000</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 325,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$275,940, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 325,000	0.00%	\$ 325,000

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(8) Other Postemployment Benefits (OPEB) - (continued)

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$2.941 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.941 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$19,031,000, and the ratio of the UAAL to covered payroll was 15.45%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate assuming Cedar Falls Community School District will fund the retirement benefit on a pay-as-you-go basis. An 8% discount rate is used assuming the District will fund the plan and consistently contribute an amount equal to or greater than the ARC. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2006 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2006.

Projected claim costs of the medical plan range from \$516 per month for retirees at age 55 to \$889 per month for retirees at age 64. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(9) Construction Commitment

The District has entered into contracts for various building improvement and roofing projects totaling \$21,108,726. As of June 30, 2009, costs of \$2,727,443 on these contracts had been incurred, \$1,201,459 had been paid, and \$1,525,984 was included in the accounts payable on the balance sheet. The balance of \$18,381,283 remaining at June 30, 2009 will be paid as work on the various projects progresses.

(10) Contingencies and Risk Management

At June 30, 2009, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, many of which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time. The District is also exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 25,196,633	\$ 1,372,387
Intermediate sources	-	-
State sources	20,934,389	16,097
Federal sources	1,495,445	518,092
Total receipts	<u>47,626,467</u>	<u>1,906,576</u>
Expenditures		
Instruction	27,571,307	-
Support services	11,161,538	-
Non-instructional programs	-	1,754,139
Other expenditures	6,144,889	-
Total disbursements	<u>44,877,734</u>	<u>1,754,139</u>
Excess (deficiency) of revenues over (under) expenditures	2,748,733	152,437
Other financing sources, net	<u>9,950,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	12,698,733	152,437
Balance beginning of year	<u>11,815,558</u>	<u>436,458</u>
Balance end of year	<u><u>\$ 24,514,291</u></u>	<u><u>\$ 588,895</u></u>

See accompanying independent auditors' report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
\$ 49,567	\$ 26,519,453	\$ 26,094,433	\$ 26,094,433	\$ 425,020
-	-	-	-	-
-	20,950,486	21,072,530	21,072,530	(122,044)
-	2,013,537	1,423,500	1,423,500	590,037
<u>49,567</u>	<u>49,483,476</u>	<u>48,590,463</u>	<u>48,590,463</u>	<u>893,013</u>
36,291	27,535,016	29,226,254	\$ 29,226,254	1,691,238
-	11,161,538	12,584,901	12,584,901	1,423,363
-	1,754,139	4,682,588	4,682,588	2,928,449
-	6,144,889	8,305,690	8,305,690	2,160,801
<u>36,291</u>	<u>46,595,582</u>	<u>54,799,433</u>	<u>54,799,433</u>	<u>8,203,851</u>
13,276	2,887,894	(6,208,970)	(6,208,970)	9,096,864
-	9,950,000	5,000	5,000	9,945,000
13,276	12,837,894	(6,203,970)	(6,203,970)	19,041,864
<u>1,550,746</u>	<u>10,701,270</u>	<u>8,081,813</u>	<u>8,081,813</u>	<u>2,619,457</u>
<u>\$ 1,564,022</u>	<u>\$ 23,539,164</u>	<u>\$ 1,877,843</u>	<u>\$ 1,877,843</u>	<u>\$ 21,661,321</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with *Government Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan (in thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 2,941	\$ 2,941	0.00%	\$ 19,031	15.45%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and Net OPEB Obligation , funded status and funding progress.

Other Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2009

Assets	Manage- ment Levy	Student Activity	Special Revenue Physical Plant and Equipment Levy
Cash and pooled investments	\$ 574,019	\$ 485,809	\$ 2,779,011
Receivables:			
Property tax:			
Delinquent	4,945	-	20,378
Succeeding year	599,994	-	2,473,812
Accounts	-	-	-
Accrued interest	178	230	1,254
Due from other governments	-	-	-
	<u>574,019</u>	<u>485,809</u>	<u>2,779,011</u>
Total assets	<u>\$ 1,179,136</u>	<u>\$ 486,039</u>	<u>\$ 5,274,455</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 10,638	\$ 226,444
Salaries and benefits payable	-	-	-
Interfund payable	-	-	-
Deferred revenue:			
Succeeding year property tax	599,994	-	2,473,812
Other	-	-	19,647
Total liabilities	<u>599,994</u>	<u>10,638</u>	<u>2,719,903</u>
Fund balances:			
Unreserved, undesignated fund balances	<u>579,142</u>	<u>475,401</u>	<u>2,554,552</u>
Total liabilities and fund balances	<u>\$ 1,179,136</u>	<u>\$ 486,039</u>	<u>\$ 5,274,455</u>

See accompanying independent auditors' report.

Public Purpose Trust Fund	Total Special Revenue	Permanent Fund	Total
\$ 7,549	\$ 3,846,388	\$ 1,551,969	\$ 5,398,357
-	25,323	-	25,323
-	3,073,806	-	3,073,806
-	-	-	-
1	1,663	4,503	6,166
-	-	-	-
<u>\$ 7,550</u>	<u>\$ 6,947,180</u>	<u>\$ 1,556,472</u>	<u>\$ 8,503,652</u>
\$ -	\$ 237,082	\$ -	\$ 237,082
-	-	-	-
-	-	-	-
-	3,073,806	-	3,073,806
-	19,647	-	19,647
<u>-</u>	<u>3,330,535</u>	<u>-</u>	<u>3,330,535</u>
<u>7,550</u>	<u>3,616,645</u>	<u>1,556,472</u>	<u>5,173,117</u>
<u>\$ 7,550</u>	<u>\$ 6,947,180</u>	<u>\$ 1,556,472</u>	<u>\$ 8,503,652</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

Year ended June 30, 2009

			Special Revenue
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy
Revenues:			
Local sources:			
Local tax	\$ 573,316	\$ -	\$ 2,330,241
Other	91,609	874,175	28,729
State sources	380	-	1,342
Federal sources	-	-	26,074
Total revenues	<u>665,305</u>	<u>874,175</u>	<u>2,386,386</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	159,618	-	69,678
Special instruction	-	-	-
Other instruction	-	907,280	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	48,834	-	4,261
Operating and maintenance of plant services	299,908	-	28,115
Transportation services	54,172	-	296,601
Other expenditures:			
Facilities acquisition and construction	-	-	811,522
Total expenditures	<u>562,532</u>	<u>907,280</u>	<u>1,210,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>102,773</u>	<u>(33,105)</u>	<u>1,176,209</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	102,773	(33,105)	1,176,209
Fund balances beginning of year	<u>476,369</u>	<u>508,506</u>	<u>1,378,343</u>
Fund balances end of year	<u>\$ 579,142</u>	<u>\$ 475,401</u>	<u>\$ 2,554,552</u>

See accompanying independent auditors' report.

Public Purpose Trust Fund	Total Special Revenue Funds	Permanent Fund	Total
\$ -	\$ 2,903,557	\$ -	\$ 2,903,557
5,049	999,562	44,518	1,044,080
-	1,722	-	1,722
-	26,074	-	26,074
<u>5,049</u>	<u>3,930,915</u>	<u>44,518</u>	<u>3,975,433</u>
36,291	265,587	-	265,587
-	-	-	-
-	907,280	-	907,280
-	-	-	-
-	-	-	-
-	53,095	-	53,095
-	328,023	-	328,023
-	350,773	-	350,773
-	811,522	-	811,522
<u>36,291</u>	<u>2,716,280</u>	<u>-</u>	<u>2,716,280</u>
<u>(31,242)</u>	<u>1,214,635</u>	<u>44,518</u>	<u>1,259,153</u>
32,810	32,810	-	32,810
-	-	(32,810)	(32,810)
<u>32,810</u>	<u>32,810</u>	<u>(32,810)</u>	<u>-</u>
1,568	1,247,445	11,708	1,259,153
5,982	2,369,200	1,544,764	3,913,964
<u>\$ 7,550</u>	<u>\$ 3,616,645</u>	<u>\$ 1,556,472</u>	<u>\$ 5,173,117</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
Investment income	\$ 110,191	\$ 7,038	\$ -	\$ (33,500)	\$ 83,729
Miscellaneous	15,910	27,675	24,714	(342)	18,529
Drama arts	7,480	8,860	3,858	-	12,482
Speech	(62)	2,303	2,187	1,500	1,554
Recog.-music/speech	3,766	3,150	5,200	2,600	4,316
Yearbook	58,035	25,611	30,179	-	53,467
Music/vocal	9,062	8,368	10,982	450	6,898
Music/orchestra	956	4,729	4,492	600	1,793
Music/band	113	20,675	18,439	-	2,349
Athletics	29,233	99,909	139,534	(11,875)	(22,267)
		532	694	-	(162)
Track meets	(1,965)	17,376	11,376	6,338	10,373
Tennis	(472)	6,500	6,252	6,500	6,276
Golf	263	6,669	6,553	5,500	5,879
Cheerleaders	(12,532)	83,946	75,356	1,700	(2,242)
Pom poms	3,064	14,914	18,055	4,700	4,623
Basketball-boys	12,666	15,821	14,958	(2,838)	10,691
Football	17,463	80,802	76,206	(300)	21,759
Soccer-boys	1,339	5,451	10,239	2,500	(949)
Baseball	(2,271)	7,371	8,634	3,500	(34)
Track-boys	(1,941)	6,670	7,036	6,500	4,193
Swimming-boys	4,447	2,704	2,287	-	4,864
Wrestling	3,564	7,900	7,951	-	3,513
Basketball-girls	(1,937)	10,913	8,510	6,000	6,466
Volleyball	3,116	12,014	17,241	6,000	3,889
Soccer-girls	(209)	5,258	4,823	2,500	2,726
Softball	4,953	12,331	11,053	7,000	13,231
Track-girls	(92)	8,130	7,540	4,000	4,498
Swimming-girls	4,262	6,958	5,123	-	6,097
Concessions-Robinsen/Dresser	346	3,143	4,062	(4,000)	(4,573)
A.P.A.	(19,324)	11,717	34,123	8,450	(33,280)
Area 7 Student Forum	75	-	-	-	75
A.V. Dept.	74	1,181	1,255	-	-
P.C.B.C.	53,649	984	-	-	54,633
Campus improvement	5,607	4,179	9,114	1,350	2,022
CFHS Memorial Fund	3,284	-	-	-	3,284
CHAT	268	-	168	-	100
Food Bank	38	7,245	6,539	3,000	3,744
DECA	(698)	16,525	17,970	(350)	(2,493)
Drug/alcohol prevention	448	-	-	-	448
English resource center	4,984	20,672	12,191	-	13,465
FBLA	53	-	-	-	53
Food service	130	113	112	-	131
General store	1,141	-	-	-	1,141
Activity tickets/Jr. high	638	28	-	-	666
Jr/Sr prom	1,758	6,482	9,125	(7,900)	(8,785)
Library	9,159	2,972	1,999	-	10,132
Mc Elroy Fund	963	1,675	492	650	2,796
Office education	(1,387)	15	-	-	(1,372)

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
M.R.C.	613	927	908	-	632
Pop	11,084	4,975	3,032	42	13,069
AP textbooks	1,539	-	-	-	1,539
Programs	2,474	2,829	4,614	(5,100)	(4,411)
Revolving	14,202	49,678	59,030	(7,845)	(2,995)
Science club	284	-	95	-	189
Faculty	(5,124)	3,051	2,377	-	(4,450)
T & I Club	1,056	-	1,194	-	(138)
Tiger Hi-Line	63	9,056	8,687	1,200	1,632
Y.F.U.	2,752	-	-	-	2,752
Student forum	2,689	10,147	8,120	(250)	4,466
Renaissance	122	-	-	-	122
Class of 2001	-	-	-	-	-
Class of 2003	569	-	-	-	569
Class of 2004	691	-	-	-	691
Class of 2005	1,604	-	-	-	1,604
Class of 2006	552	-	-	-	552
Class of 2008	902	-	50	-	852
PTA	1,639	1,140	682	-	2,097
Student council	17,690	27,228	25,540	250	19,628
Pictures	19,184	29,549	31,576	900	18,057
Lego League	258	5,979	4,528	600	2,309
Student activities	1,619	17,190	10,151	-	8,658
Special Olympics	1,202	-	-	-	1,202
Math club	430	-	-	-	430
Magazines	57,705	59,400	58,067	(7,000)	52,038
Student fundraisers club	2,006	-	-	-	2,006
Gym padlocks	1,760	125	-	-	1,885
Recycling	5,050	68	228	-	4,890
Alpha	1,279	6,514	6,321	-	1,472
Robotics	3,568	24,668	19,242	(130)	8,864
TJ-TR Account	33	-	-	-	33
SADD	274	169	36	-	407
Video yearbook	121	-	-	-	121
Weight room	1,392	438	1,945	-	(115)
Culture Fair	7	-	-	-	7
PLAAD	1,473	6,963	6,694	-	1,742
Drama clubs	8,119	11,453	7,717	(1,500)	10,355
Tech clubs	45	-	-	-	45
Choral/Dramatic	2,431	770	913	-	2,288
Echoes concessions	2,682	1,484	612	-	3,554
Amnesty International	5,369	66	5,435	-	-
PATT concessions	1,837	1,190	1,910	(1,400)	(283)
Brick Fundraiser	5,549	100	-	-	5,649
Art Club	104	92	-	-	196
Baseball Booster	-	1,417	954	-	463
	<u>\$ 508,506</u>	<u>\$ 874,175</u>	<u>\$ 907,280</u>	<u>\$ -</u>	<u>\$ 475,401</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2009

Assets	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Cash and pooled investments	\$ 18,896	\$ 84,770	\$ 95,603	\$ 8,063
Due from others	<u>3,207</u>	<u>19,594</u>	<u>3,207</u>	<u>19,594</u>
Total assets	<u><u>\$ 22,103</u></u>	<u><u>\$ 104,364</u></u>	<u><u>\$ 98,810</u></u>	<u><u>\$ 27,657</u></u>
 Liabilities				
Accounts payable	\$ 7,838	\$ 10,767	\$ 7,838	\$ 10,767
Due to others	<u>14,265</u>	<u>101,170</u>	<u>98,545</u>	<u>16,890</u>
Total liabilities	<u><u>\$ 22,103</u></u>	<u><u>\$ 111,937</u></u>	<u><u>\$ 106,383</u></u>	<u><u>\$ 27,657</u></u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Ten Years

	2009	2008	2007	2006
Revenues:				
Local sources:				
Local tax	\$ 21,484,048	\$ 19,327,239	\$ 18,191,684	\$ 17,768,871
Tuition	1,963,269	2,138,692	2,331,925	1,921,414
Other	1,749,316	2,086,376	2,414,261	1,855,625
State sources	20,934,389	19,951,468	18,280,648	17,610,943
Federal sources	1,495,445	1,085,547	1,038,884	1,078,199
	<u>\$ 47,626,467</u>	<u>\$ 44,589,322</u>	<u>\$ 42,257,402</u>	<u>\$ 40,235,052</u>
Total revenues				
Expenditures:				
Instruction:				
Regular instruction	\$ 17,780,433	\$ 16,609,178	\$ 16,382,335	\$ 15,270,446
Special instruction	5,673,623	5,495,881	5,067,331	4,720,786
Other instruction	4,117,251	3,508,710	2,812,842	3,039,278
Support services:				
Student services	1,144,030	1,088,585	1,098,064	1,078,517
Instructional staff services	1,300,243	1,212,844	1,275,388	1,254,972
Administration services	3,993,170	3,796,461	3,620,974	3,386,839
Operation and maintenance of plant services	3,360,535	3,327,109	3,213,667	3,025,461
Transportation services	1,363,560	983,877	852,118	903,632
Other expenditures:				
Facilities acquisition and construction	4,416,650	2,941,763	3,367,014	9,991,694
Long-term debt:				
Principal	-	5,000,000	-	-
Interest and other charges	132,700	175,400	175,400	116,867
AEA flowthrough	1,595,539	1,477,405	1,373,489	1,296,035
	<u>\$ 44,877,734</u>	<u>\$ 45,617,213</u>	<u>\$ 39,238,622</u>	<u>\$ 44,084,527</u>
Total expenditures				

See accompanying independent auditors' report.

Modified Accrual Basis

2005	2004	2003	2002	2001	2000
\$ 16,708,307	\$ 16,520,308	\$ 16,003,368	\$ 14,832,828	\$ 13,639,413	\$ 12,383,104
1,830,999	1,626,894	1,526,842	1,525,918	1,461,342	1,342,825
1,823,074	2,631,928	1,800,949	2,120,001	2,034,053	1,396,418
16,264,693	16,132,001	16,165,932	16,494,066	16,760,303	16,639,774
1,045,266	1,085,395	1,516,393	1,169,893	1,287,952	886,250
<u>\$ 37,672,339</u>	<u>\$ 37,996,526</u>	<u>\$ 37,013,484</u>	<u>\$ 36,142,706</u>	<u>\$ 35,183,063</u>	<u>\$ 32,648,371</u>
\$ 15,037,847	\$ 14,200,102	\$ 14,384,887	\$ 14,389,215	\$ 14,182,324	\$ 13,566,930
4,861,934	4,469,541	4,933,571	3,925,935	3,865,208	3,689,326
2,505,798	2,647,017	1,777,260	2,675,291	2,642,395	2,542,406
1,107,975	1,073,346	1,102,026	1,046,622	1,025,970	961,927
1,125,213	1,092,475	1,151,890	1,398,485	1,287,113	1,454,323
3,099,849	3,206,356	3,023,114	2,987,775	2,803,773	2,670,381
3,201,889	2,738,832	2,569,879	2,304,314	2,588,508	2,212,820
637,188	622,904	569,884	532,250	683,684	797,422
4,918,143	2,151,702	4,386,440	6,583,904	3,981,212	1,360,754
-	-	5,000,000	-	-	-
-	-	250,300	250,300	250,300	-
1,221,698	1,211,772	1,279,580	1,288,214	1,321,347	1,297,455
<u>\$ 37,717,534</u>	<u>\$ 33,414,047</u>	<u>\$ 40,428,831</u>	<u>\$ 37,382,305</u>	<u>\$ 34,631,834</u>	<u>\$ 30,553,744</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY09	\$ 105,944
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY09	31,015
National School Lunch Program	10.555	FY09	381,530
			<u>412,545</u>
U.S. Total Department of Agriculture			<u>518,489</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY09	419,843
Vocational Education - Basic Grants to States	84.048A	FY09	29,274
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY09	64,447
Emergency Response and Crisis Management Grants	84.184E	FY09	39,702
Safe and Drug-Free Schools and Communities - State Grants	84.186A	FY09	14,657
Advanced Placement Test Fees	84.330B	FY09	108
Improving Teacher Quality State Grants	84.367	FY09	173,545
Grants for State Assessments and Related Activities	84.369	FY09	29,783
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY09	360,573
Area Education Agency 267:			
Special Education - Grants to States (IDEA)	84.027	FY09	218,829
Total U.S. Department of Education			<u>1,350,761</u>
U.S. Department of Health & Human Services:			
Tri-County Child & Family Development Council, Inc.:			
Head Start	93.600	FY09	115,527
Total U.S. Department of Health & Human Services			<u>115,527</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
Public Assistance Grants	97036.000	FY09	26,074
Total U.S. Department of Homeland Security			<u>26,074</u>
Total Expenditures of Federal Awards			<u>\$ 2,010,851</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(continued)

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cedar Falls Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditors' report.

Internal Controls and Compliance

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

To the Board of Education
Cedar Falls Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar Falls Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cedar Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar Falls Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cedar Falls Community School district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Cedar Falls Community School District's financial statements that is more than inconsequential will not be prevented or detected by Cedar Falls Community School district's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Cedar Falls Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar Falls Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Cedar Falls Community School District, and other parties to whom Cedar Falls Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cedar Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 14, 2010

Carney, Alexander, Marold & Co., L.L.P.

Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education
Cedar Falls Community School District

Compliance

We have audited the compliance of Cedar Falls Community School District, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Cedar Falls Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Cedar Falls Community School District's management. Our responsibility is to express an opinion on Cedar Falls Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedar Falls Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cedar Falls Community School District's compliance with those requirements.

In our opinion, Cedar Falls Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Cedar Falls Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Cedar Falls Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cedar Falls Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cedar Falls Community School District, and other parties to whom Cedar Falls Community School District may report, including federal award agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

January 14, 2010

Carney, Alexander, Marold & Co., L.L.P.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) The audit did not disclose any significant deficiencies in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit did not disclose any significant deficiencies in internal control over major programs.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 Title I Grants to Local Education Agencies
 - Clustered Programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cedar Falls Community School District did qualify as a low-risk auditee.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amounts budgeted.
- IV-B-09 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions - We noted no business transactions between the District and District officials or employees.
- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Audit Staff

This audit was performed by:

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Cedar Falls Community Schools

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ADMINISTRATION

David W. Stoakes, Ed.D., *Superintendent*

Daniel E. Conrad, *Secondary Education*

Cindi F. McDonald, *Elementary Education*

Douglas J. Nefzger, *Business Affairs*

Adrian P. Talbot, Ed.D., S.P.H.R., *Human Resources*

Educating each student to be a lifelong learner and a caring, responsible citizen.

Corrective Action Plan for Federal Audit Findings

Year ended June 30, 2009

<u>Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person Title Phone Number</u>	<u>Anticipated Date of Completion</u>
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There were no federal audit findings required to be reported in accordance with OMB Circular A-133 for the year ended June 30, 2009.

Cedar Falls Community Schools

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Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2009

Comment
Reference

Comment Title

Status

If not corrected, provide
planned corrective action
or other explanation

There were no prior federal audit findings in the report for the year ended June 30, 2008.